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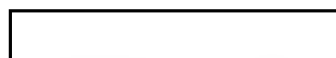
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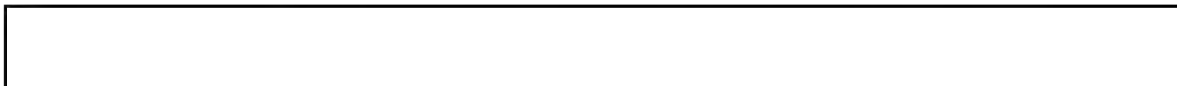
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ISRAEL-SYRIA: Israeli Minister of Defense Dayan apparently still plans to come to Washington next week, but he is reportedly expressing some reservations about the value of the visit to discuss a separation of forces with Syria.

According to an article in Israel's influential daily Haaretz by a journalist with good contacts with Dayan, the defense minister's doubts are based on his belief that a resumption of Secretary Kissinger's Middle East shuttle diplomacy will first be required to narrow the gap between the Israeli and Syrian negotiating positions. He considers the gap too great to permit productive discussions in Washington at this time. Dayan reportedly also thinks that no negotiator Damascus sends to Washington will have the authority to make decisions.

Speaking in Tel Aviv on March 18, Dayan called Syria's terms for disengagement "totally unacceptable," perhaps referring to Syrian calls for Israeli withdrawal from the Golan Heights. He said no agreement would result if Damascus persisted in its demands. Dayan also claimed that if the Soviets really want to, they can pressure Damascus into moderating its stance.

According to the US Embassy in Tel Aviv, the Israeli cabinet on March 17 approved a disengagement proposal on the Syrian front that calls for: Israeli withdrawal from the Syrian territory captured in the October war; a thinning of forces on both sides of the cease-fire line; and creation of a UN buffer zone. Israel probably will also insist on the return of all prisoners from Syria prior to withdrawal.

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UNITED KINGDOM: A Foreign Office official has spelled out in some detail the Wilson government's views on renegotiating the terms of the EC accession treaty. He told the US Embassy that renegotiation will focus on three points: the common agricultural policy, British contributions to the EC budget, and the opening of the EC market to agricultural products produced by Commonwealth countries.

The official emphasized that the British budgetary contribution would probably have had to be renegotiated, no matter which party had won the election. The contribution, the official explained, must be in line with Britain's "ability to pay." At present, the British contribute \$390 million annually to the EC and receive in return only \$200 million.

The official added that the Labor government is determined to take a pragmatic approach on the matter and that Prime Minister Wilson alone will decide what must be done to fulfill Labor's election pledge to renegotiate.

A meeting of EC agricultural ministers later this week will be the occasion for Britain's first moves. London wants to hold EC agricultural price increases to a minimum. EC foreign ministers meet on April 1-2, and Foreign Secretary Callaghan is expected to explain general British expectations on renegotiation.

An official of the French Embassy in London has said that Paris believes other EC members should "play it cool" and wait until the British say what they mean by renegotiation. He did suggest that it would be easier to change the structure of EC expenditures--by, for example, adding regional policy programs--than to revise entry terms. He made it clear that the French will take the line that the EC can get along better without the UK than the British can without the EC.

[REDACTED]

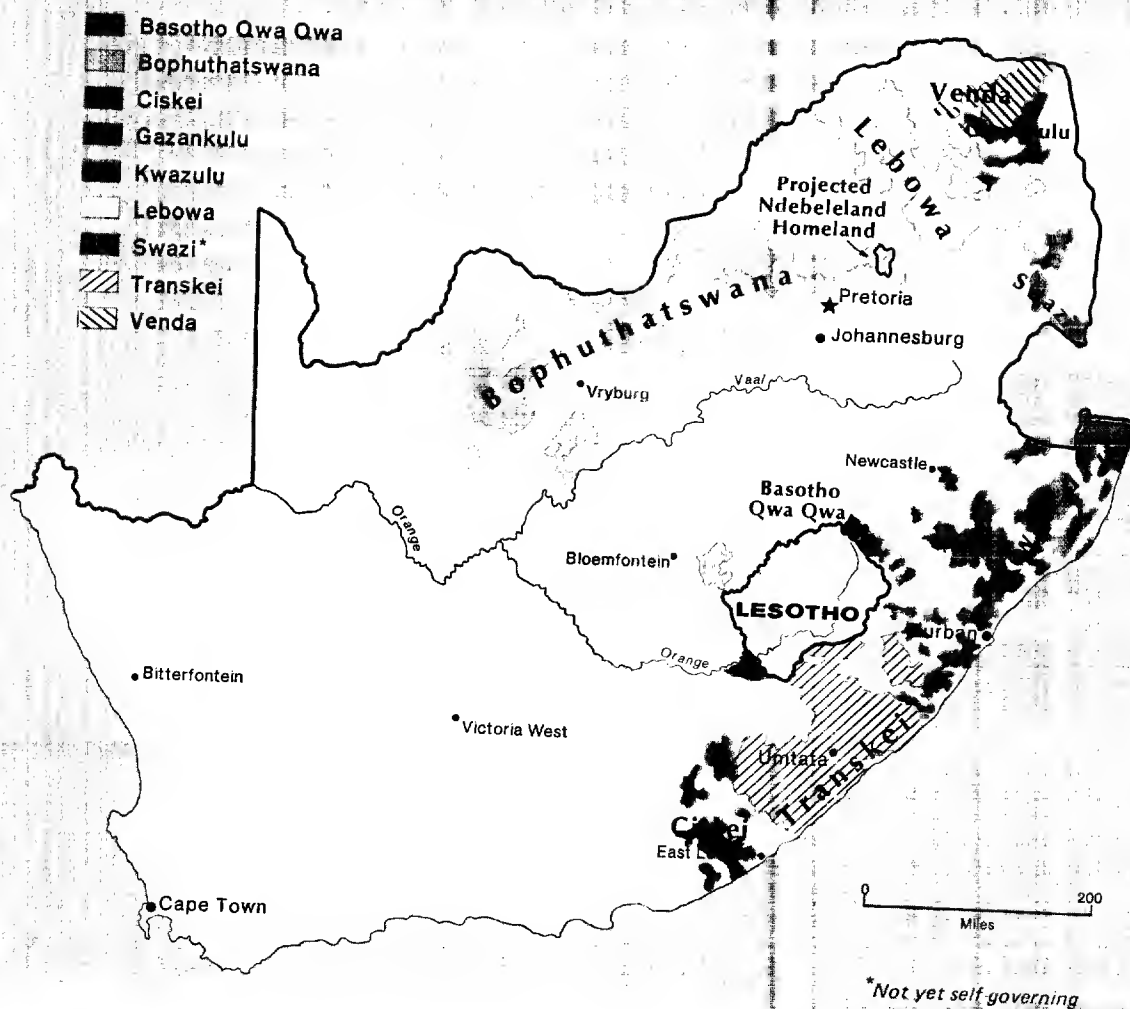
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South Africa: Bantustans



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SOUTH AFRICA: Transkei, the oldest of the self-governing tribal homelands for Bantustans created within South Africa, may soon request independence with the full approval of the Afrikaner government in Pretoria.

The leading political party in Transkei, which has had an autonomous administration since 1963, resolved at its recent annual conference to request independence within the next five years. Last week Transkei's chief minister, Kaiser Matanzima, introduced an "independence resolution" in the Transkei legislative assembly.

The move is being encouraged by South Africa's white rulers, who developed the Bantustan program in the early 1960s to justify their policy of rigid apartheid. Eventual transition to independent status has been a feature of the program from its inception, although Pretoria expects the Bantustans to remain completely dependent satellites of South Africa.

In a private conversation with the US consul general in Durban, Matanzima stated that independence could in fact come within two years and possibly sooner. He emphasized, however, that before his government would accept that status, Pretoria must transfer to Transkei a small Indian Ocean seaport and other land parcels that have been tentatively promised to Transkei. Matanzima previously asserted that Transkei would not accept independence until Pretoria ceded the much more extensive territories that had originally belonged to the Transkei's Xhosa tribe.

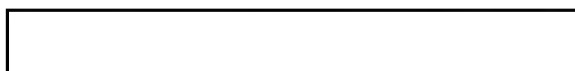
At the party conference, Matanzima reportedly argued that Pretoria would increase its financial aid to Transkei after independence because Prime Minister Vorster wants the first independent Bantustan to become a "showcase," both to induce leaders of other Bantustans to request independence and to gain international approval for the Bantustan program.

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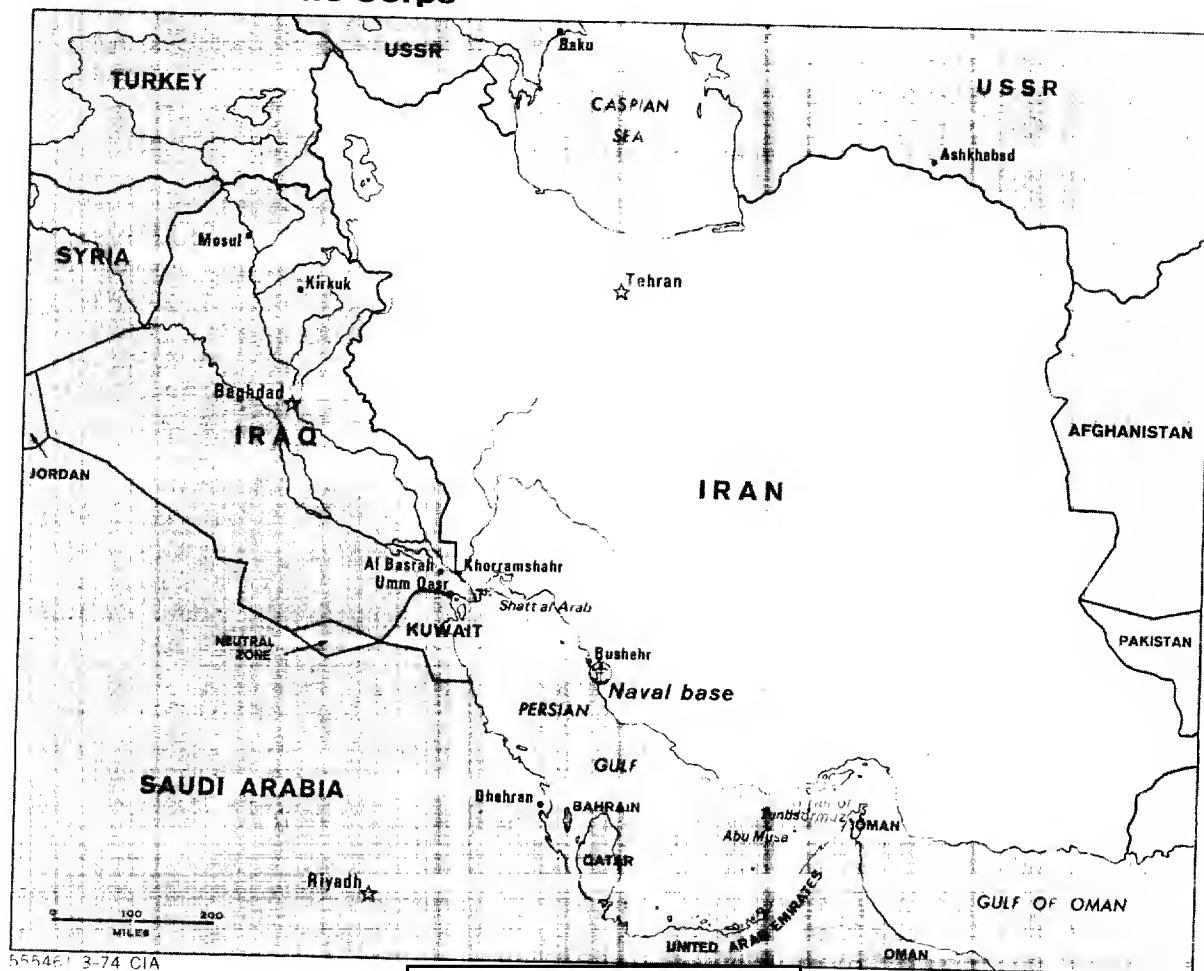
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Iran Plans Marine Corps



These arguments apparently won over a small but articulate group that wanted to hold out until Transkei's maximum land claims were met. Although Matanzima's hope of greater financial aid from Pretoria may be unrealistic, Vorster is believed to have assured him that modest territorial claims would be readily granted as part of an independence settlement.

Matanzima's willingness to go forward on this basis with the implementation of the Bantustan program will be politically helpful to Prime Minister Vorster. With national elections scheduled for April 24, he is especially eager to show white voters that he can mollify the Bantustan leaders with concessions that are far short of the sweeping demands they put forth in a manifesto they published last November. [REDACTED]

IRAN: Tehran apparently plans to develop a marine corps composed primarily of commandos selected from the Iranian Navy. The new unit, which will be trained in desert and amphibious warfare, is expected to be a small elite force, reaching battalion size by the late 1970s.

Although advanced commando training in Iran is now conducted by British officers, Iranian personnel are preparing to take over the responsibility for much of the training of the marines. The marine corps reportedly will be stationed at Bushehr Naval Base on the Persian Gulf.

From Bushehr the marines could be used as a coastal defense force or as a quick strike force to protect Iranian interests in the strategic islands and states of the Gulf. The Iranian Navy already has sufficient hovercraft ships to transport such a force. [REDACTED]

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JAPAN - MIDDLE EAST: The Japanese are showing less enthusiasm for oil obtained through direct deals than they did a few months ago. Having overcome fears that oil would not be available at any price, the Japanese are reluctant to conclude agreements at posted prices since they feel oil prices will decline in the near term. They seem willing to enter direct deal agreements but only well below the posted price. Further evidence of their new concern about price is the instruction by the Ministry of International Trade and Industry to Japanese oil concerns to refrain from bidding more than 93 percent of the posted price at recent auctions.

Although the Japanese eagerly discussed an economic cooperation agreement with Saudi Arabia earlier this year, serious follow-up discussions are not likely to take place before next month. At that time, Tokyo will want to avoid signing any long-term bilateral oil deals with the Saudis.

A proposed deal with Iraq--for the direct purchase of crude oil in exchange for \$1 billion in Japanese credits to be used for construction of an oil refinery, petrochemical plant, and other industrial projects--may fall through unless agreement can be reached on the price of the crude oil. At talks in Baghdad last week, Iraq reportedly asked a price of \$11.67 per barrel while Japanese oil company officials were willing to pay only about \$9 per barrel. Further discussions are expected in late April.

Japanese negotiations with Iran for construction of a 500,000-barrel-per-day oil refinery in Iran have stalled over the proposed building of an associated petrochemical plant in Iran. The Japanese want the naptha produced at the refinery for their own use, but Tehran wants the Japanese to help finance construction of a petrochemical complex that would use the naptha. [REDACTED]

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FOR THE RECORD



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China: Peking is planning an intensive construction program to lay large-diameter pipelines to relieve rail transport shortages and promote exports of oil.



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Brazil: The new Geisel administration's first important policy departure apparently will concern the issue of inflation. Economic advisers to the new finance minister reportedly have prepared a study that projects this year's cost of living increase at 25 to 30 percent, largely because of the higher cost of imports, particularly petroleum, and the need to permit price increases suppressed last year by the Medici administration. The Geisel team appears disposed to confront price issues quickly, perhaps in order to blame as much of the problem as possible on the previous administration and to set the stage for such credit and wage controls as it may deem necessary.

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